

James B. Lee, Chairman
Kevin S. Carter, Director

MINUTES OF THE MEETING OF THE
SCHOOL & INSTITUTIONAL TRUST LANDS ADMINISTRATION
BOARD OF TRUSTEES

DATE: APRIL 6, 2006

PLACE: SALT LAKE CITY, UTAH

ATTENDING: BOARD

James B. Lee
Michael Morris
John Ferry
Gayle McKeachnie
Vernal Mortensen

STAFF

Kevin S. Carter
Tom Faddies
Lisa Schneider
LaVonne Garrison
Bryan Torgerson
Kay Burton
Elise Erhler
Kurt Higgins
Ric McBrier
Rick Wilcox
Kim Christy
Rodger Mitchell
John Andrews
Dave Hebertson
Alexa Wilson
Michelle McConkie
Chet Gritzmacher
Jeff Roe

OTHERS IN ATTENDANCE

Karen Rupp, State Office of Education
Margaret Bird, State Office of Education
Natalie Gordon, Utah PTA
Ivan Djambov, Office of Legislative Fiscal Analyst
Andy Taylor, Sandstone Enterprises
Kimble Blackburn, Sandstone Enterprises
Eric Rasmussen, TLA Consultant

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Chairman Lee welcomed Board members, Staff, and guests to the meeting. He noted Mr. Eardley will not be in attendance, as the Governor is in Washington County holding a press conference on their land-use bill; and Mr. Eardley needed to be in attendance.

1. Approval of Minutes

On Page 27 of the minutes, second paragraph from bottom, on the third line after the word “clustered”, the Board added the words “or residential” and on the fourth line the Board changed the word “residential” to “apartments”. With these changes, the Board approved the Board minutes of March 16, 2006.

Mortensen / McKeachnie. Unanimously approved.

“I move we approve the minutes as amended.”

Roll Call:

Mr. Morris - - yes	Mr. Ferry - - yes
Mr. Mortensen - - yes	Mr. McKeachnie - - yes
Mr. Lee - - yes	

2. Confirmation of Upcoming Meeting Dates

The Board changed the May meeting to May 18 in lieu of May 11, as first scheduled. With this change, the Board confirmed the following upcoming meeting dates:

May 18 - - Salt Lake City
June 8, 9 - - Tabby Mountain/Roosevelt
July - - No meeting
August 10 - - Salt Lake City.

Director Carter gave the Board a brief overview of two different routes for the Tabby Mountain trip. The Board felt it would like to take the four-hour trip to make sure they see most of it.

3. Initial Consideration of Request for Agency Action and Appeal of Final Agency Action of Timber Sale Contract TA #746 - - Intermountain Resources, LLC - - Order to Defer

Chairman Lee stated that this item has been deferred at the request of both parties. He has signed an Order granting this deferral. It will be heard at the meeting on May 18.

4. Oil and Gas Other Business Arrangement - - Stone Energy - - San Juan County

Ms. Garrison reviewed this with the Board. Stone Energy is a publicly traded, independent oil and gas company that has operated primarily offshore and in the gulf region and has been in business since the 1970's. With the acquisition of Basin Energy about six years ago, Stone acquired a large land position in the Rockies, primarily Utah and Wyoming, and is exploring and developing the lands it acquired in that purchase and is adding more lands to its portfolio since the acquisition in the Rockies.

Project Background: Stone Energy Corporation and its predecessors in interest, Stone Energy, LLC ("Stone") and Basin Exploration, Inc., have acquired in excess of 30,000 acres in San Juan County, Utah. The company shot a 3D seismic survey on the east side of the Bluff Block and has drilled four wells on that side in the past few years, which have not resulted in oil and gas production. Following the drilling of their wells, Stone re-evaluated its exploration program and believes it has acquired knowledge from its operations concerning interpretation techniques to enable it to be successful in exploring for oil and gas in this area.

The lands requested by Stone for this OBA lie west of a large block of trust lands known as the Bluff Block. These lands are north of the Navajo Reservation close to the Arizona border in the southeast quadrant of the state. There is a large old oil field on the Navajo lands south of our Bluff Block known as Greater Aneth. This field was discovered in 1956 and yielded \$34.5 million in oil royalty to the Tribe in that year. The discovery of Aneth Field carried Utah from the belief that there was no oil in Utah in the post WWII era to being one of the top 12 oil-producing states.

The wells drilled in this oil and gas play tend to be between 5500-6800 feet to a formation known as the Ismay/Desert Creek members of the Paradox Formation. Stone continues to acquire more federal leases in the area in addition to the trust land leases to form a contiguous block of acreage.

4. Oil and Gas Other Business Arrangement - - Stone Energy - - San Juan County (cont'd)

Other Business Arrangement Proposal to Board:

1. Stone proposes to lease the following lands from the Trust:

Township 40 South, Range 21 East, SLM

Section 11: W2NE4, S2SW4, E2SE4, NE4SW4

Section 12: S2NE4, N2SE4, SW4SE4, SE4SW4 (NE4NE4 - negotiating to include, but not currently part of the OBA proposal)

Containing 520 acres, more or less

San Juan County, Utah

The terms of the lease will be: (1) a bonus consideration of \$20 per net acre, being \$10,400 (or \$11,200 if the additional 40 acres are included), (2) one-year lease term, (3) 15 percent base royalty to the Trust rather than our standard 12.5 percent, and (4) lease form will be our standard oil and gs lease form that is currently in use with the OBA terms included therein.

2. During the one-year term, Stone will agree to drill or cause to be drilled the first test well on the trust lands leased hereunder at a location of their selection. The well will be drilled to a depth sufficient to test the Ismay and Desert Creek Zones, whichever is the lesser depth. If commercial quantities of hydrocarbons are encountered above this formation, the test well can be drilled and completed at a lesser depth and considered to be an "earning well" by completion at the shallower depth at SITLA's sole discretion.

3. The lease will include a "pugh clause" that states any leased lands not included within a producing spacing unit by the end of 10 years from the lease date will be removed from the lease.

Agency Recommendation: Stone is a well-funded independent energy company with substantial holdings. They have continued to show interest in this part of the State and to pursue their ideas even though they have not yet met with success in establishing new production around our block. We do not have any other companies spending money to evaluate trust lands in the vicinity of this lease at the present time. Since FY 2006 began in July, the agency has had only two wells permitted to drill within any sort of proximity to this block. Ms. Garrison recommends the Board accept this OBA as being in the best interest of the Trust to try to evaluate our oil and gas holdings. The information it gives us will help the agency make future decisions on exchanges and trades or surface development in the area and on the block. The risk for the Trust is one

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4. Oil and Gas Other Business Arrangement - - Stone Energy - - San Juan County (cont'd)

year's time during which Stone could decide not to drill at all. There is, however, no refund of the bonus consideration; and the bonus offered exceeds market price today, so the risk is quite low. Stone leased a parcel of federal land between Sections 11 and 12 at a federal competitive sale in February for \$12.50 per net acres. Staff is excited to have Stone pursuing plays within Utah. The company has only been in Utah for a few years, but is staking many more wells in other parts of the State, which shows a commitment to finding production here.

Ms. Garrison noted that Stone has recently informed her that they are going to take the additional 40 acres mentioned above. Mr. McKeachnie stated he read where BLM is doing a large lease sale and wondered if any of it is in this area. Ms. Garrison stated she has not reviewed their packet well enough yet to know.

McKeachnie / Morris. Unanimously approved.

"I move we approve this as recommended."

Roll Call:

Mr. Morris - - yes	Mr. Ferry - - yes
Mr. Mortensen - - yes	Mr. McKeachnie - - yes
Mr. Lee - - yes	

5. Chairman's Report

a. Beneficiary Report

Ms. Bird stated the Nominating Committee has met and sent two names for both Board positions to the Governor - - one name to replace Mr. Matthews and one name to replace Mr. Mortensen.

Ms. Bird stated that the trust lands issue is becoming more visible. They were asked by the Congressional delegation to see if they could heighten trust lands awareness around the West. They have been working with the National PTA. They have done a Resolution that will be heard at the National PTA convention in June. She indicated that Ms. Paula Plant has gone to Washington, D.C., and made a presentation to OCRE - Organizations Concerned with Rural Education - regarding the impact of trust lands and the need to pay attention to trust land issues. Ms. Bird has also made a presentation to the Council for State Governments WEST (CSG-WEST). The beneficiaries are on the August agenda for the Conference of Western Attorneys General Conference and will make a presentation soon to the Western Governors Association.

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5. Chairman's Report (cont'd)

a. Beneficiary Report (cont'd)

Ms. Bird noted that HB 78 is scheduled for a ceremonial signing by the Governor on May 2 at 1:48 p.m., for 10 minutes. She noted the beneficiaries would love to have Board members there if possible. The Investment Advisory Council will be in attendance, as well as the State Treasurer. As a result of this legislation, the State Superintendent now has two representatives on the Advisory Council. The beneficiaries are now seeking names for the second one so that they can make a recommendation to the State Superintendent.

Ms. Bird noted she has met with the Legislative Auditor General and staff that had worked on the audit of the agency to make sure they understand that we were taking the issues raised seriously and that the issues would be addressed. She is going to keep in contact with them, and they will coordinate this with the Director.

She stated to the Board that, if there are items the Board would like the beneficiaries to cover in their report, please let them know.

b. Follow-up Report to Board Actions

Mr. Rodger Mitchell gave a follow-up report on the Lion's Back project. This has been moving forward quite well. We have not had the public outcry we thought we might. We are working with Grand County and Moab City on this project. It is changing a little - - from 115 units to 170 units at this point. It may reach about 190 units. The economics are holding well on this, and the public process is going well. The city has agreed to a pre-annexation agreement, and it is currently being written. We are writing the development lease. The Board asked how this compares with what the Board approved? Mr. Mitchell stated the economics are about the same. Instead of five-acre lots, they will be "casitas" that will be rented out. The return on investment stays about the same. Total revenue expected has not changed. It is generally the same proposal that was approved, but with some density changes.

Mr. McBrier gave a follow-up report on Johnson-Up-on-Top. We have had the developer in our offices recently. He is trying to change partners. He has a rigid time to perform based on the lease amendment approved by the Board. He has now merged with another partner. Staff has told them they either had to meet the obligations stated or lose their lease. Mr. McBrier stated that, if that happens, the entitlement would fail. Mr. Morris asked why that would happen. Mr. McBrier stated there is a county approval of a preliminary plat that probably no one else would want to build. We could attempt to implement his entitlements, as they would become

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5. Chairman's Report (cont'd)

b. Follow-up Report to Board Actions (cont'd)

ours if he fails. Director Carter noted the water entitlement would be very valuable. Mr. McBrier stated Mr. Liss has worked very hard in trying to attract capital. They have an obligation to do a filing with the county in May, prove up their capital, and implement their plan by the end of the year. Ms. Bird stated we should be very aware of the county ordinance as to how long the entitlements are effective. Director Carter stated he understands there is not discretion on the deadline of filing plats, etc. Mr. McBrier thinks the vision of what to do on Johnsons-Up-on-Top is great; the timing just might not be right.

c. Compensation Sub-Committee Report

Mr. Morris, chairman of this sub-committee, stated that Staff had sent him some recommendations of consultants. He has started a process of making contacts with a few of them. We are not quite ready to have an initial meeting right now, but will before the next Board meeting. This sub-committee consists of Mr. Morris, Mr. McKeachnie, Mr. Mortensen, Ms. Bird, and Mr. Carter.

Mr. Morris indicated that last meeting we discussed the possibility of having some "public" input. Director Carter stated he has made a contact with Department of Human Resource Management (DHRM). They suggested a person in that office that could be of some help to us. They have told us what they do in setting compensation. They have some people on their staff that have some skills in this area. Possibly, we should engage them on this committee. Mr. Morris indicated he feels it would be well to have someone from that group involved in the process, but didn't want to engage public in the decision-making. Ms. Bird stated she met with the HR Director of the State Office of Education. He comes from the private sector. He might could help us on this also. She will send his information to Mr. Morris.

Mr. Mortensen stated he will be off the Board in June and possibly someone else should be on the committee. Chairman Lee stated we will leave him on until then in order to use his expertise. Mr. Morris indicated the sub-committee will meet before the next Board meeting.

6. Director's Report

a. Director's Update on Issues

I. Development of Tasks in Response to Audit

Director Carter reviewed the different sale models with the Board through a power-point presentation as follows:

Auction:

- * Identify and prepare parcel for disposal
- * Advertise to solicit participation
- * Sell to highest bidder at auction

- * Lands are selected based on a number of criteria
- * Internal/external review and analysis
- * Public notice, address external agency comment, cultural resource process, etc.
- * Develop marketing program and market property
- * Establish minimum acceptable sales price and disclosure model
- * Offer parcel at auction
- * Close sale if bid meets or exceeds minimum price

Negotiated Sale:

- * Identify and prepare parcel for disposal
- * Advertise to ascertain competitive interest
- * Sell to selected purchaser at or above FMV

- * Lands typically identified by applicant
- * Internal/external review and analysis
- * Public notice to ascertain competitive interest
- * Establish minimum acceptable sales price
- * Get Board approval if necessary
- * Close sale at established price

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6. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

I. Development of Tasks in Response to Audit (cont'd)

Request For Proposal Sale:

- * Identify, invest, and prepare parcel for disposal; identify key development terms, issues, and covenants
- * Market through local contracts (lists) and advertising
- * Proposals received, short list prepared, negotiate, document, and close
 - * Sales by auction, pursuant to RFP or through direct negotiation
 - * By auction - - typically involves problem pieces or small remnants
 - * By RFP - typically involves improved or higher-value pieces
 - * By direct negotiation - typically involves sales to government, conservation groups, or problem tracts that require control past sale
 - * Development leases/Ventures by RFP

Developer Sale:

- * Trust enters into development lease or venture; developer invests, subdivides, and improves
- * Developer controls marketing, timing, and transaction development
- * Parcel sold at market; Trust compensated at agreed-upon rate
 - * After improvement, investment, subdivision, etc.
 - * With sale or other transaction structure at wholesale or retail, as negotiated
 - * Unity of interest exists
 - * Trust compensation priced at gross, net, or otherwise from market

Auditor's Model:

- * Sell all properties using a uniform process
- * Establish base value of parcel through appraisal prior to sale
- * Sell all land through a market-competitive process

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6. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

I. Development of Tasks in Response to Audit (cont'd)

Director Carter suggested the following policy points for consideration:

- * Development Transactions:
 - * should be conducted in a transparent manner
 - * should allow for analysis and evaluation
 - * Baseline value established
 - * Consistent rate of return and discounting methodology
 - * Reflect all appropriate expenses
 - * Scheduled follow-up reports to Board
 - * should be exposed to market participation
 - * Exceptions require Board notice/review/approval
 - * should not be restricted to rigid methodology

Director Carter gave the Board a draft policy statement that incorporates the suggested issues to be addressed. It is as follows:

*The Board of Trustees
of the
School and Institutional Trust Lands Administration*

 X New Policy Amends Policy No. Repeals Policy No.

Policy Statement No. 2006-3

Subject: Real Estate Development on Trust Lands

The Board of Trustees of the School and Institutional Trust Lands Administration met in open, public session on _____, 2006, and by majority vote declares the following to be an official policy of the Board:

The Development Program is a significant departure from traditional land-management activities. As such, it has inherent risks not usually experienced in government coupled with significant potential to generate revenue. In order to manage the risk associated with real estate development while extracting the higher values possible, the Board of Trustees adopts the following policy:

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6. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

I. Development of Tasks in Response to Audit (cont'd)

1. Development transactions must be transparent and financial analyses should be conducted to justify dedication of land and capital resources to the transactions.
 - a. prior to engaging in a development project, the Administration will establish an initial land/asset value.
 - b. Economic analyses to determine the level of development activity, if any, will compare the anticipated Net Present Value of the proposal with the initial land/asset value.
 - c. All economic analyses performed by the Administration will use a consistent discount rate of return.
 - d. The Administration will document direct and indirect costs associated with development projects in order to provide reliable data to evaluate project performance.
 - e. After initial review or approval by the Board of Trustees, the Administration will provide periodic status reports of the project.
2. Recognizing that each parcel of property, and each development opportunity, will have different internal and external characteristics, the Administration will choose the development methodology best suited for that particular project.
3. Unless review and concurrence is provided by the Board of Trustees, development transactions will take advantage of competitive processes prior to selecting and engaging development partners. After selection of a development partner, the Administration may continue to engage in negotiations to refine the proposal to protect the interests of the beneficiaries.

Director Carter explained that, after the Board approves a policy, Staff brings to the Board rules for their concurrence that will implement the policy.

Mr. Morris stated that he thought this was a great start. He feels the auditors stated they want us to have a process, not necessarily have a uniform process for every sale. Director Carter stated Staff had explained to the auditors our different processes. He feels they did recommend that we have one process. Ms. Bird stated she feels they recommended that there is one process within a category of types of sales.

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6. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

I. Development of Tasks in Response to Audit (cont'd)

Mr. Morris stated that he thinks we need something in the policy that states we can do a desk-top appraisal before the sale process. He also suggested that possibly there could be a statement regarding who we do negotiated sales with and how that is done. He feels we need to build the different processes into the policy.

The Board generally felt this policy was being sensitive to the auditors' concerns and is a very good start on adopting a policy on this issue.

Director Carter read the recommendation in the audit report in the Development section regarding a uniform process. He stated he feels that, with this policy, we have addressed the issues in the audit.

Mr. Morris suggested Staff address the appraisal issue and give room for desk-top appraisals without having to engage a third party in the process. Mr. McKeachnie suggested that "transparent" means different things to different people, and we might define it or use another word.

Mr. Lee stated the Board will review this, and it will be an agenda item for next month. He asked that Director Carter e-mail the policy to the Board so that they can red-line it and send back their comments to Director Carter. Anyone who has suggestions can give them to Director Carter.

b. Associate Director's Report

I. Recreation Land Exchange

Mr. Andrews stated we are continuing to make progress in small steps on this exchange. We have a tentative date for a hearing in the Senate on April 26. This is a profound step to get the bill in place to move this year. In the House side, we are still waiting for the scheduling of a markup, which is the procedural step for the full committee that would allow the bill to come to the floor. We have been told we would be on the next markup. We are still waiting for DOI to get us comments. The committee staff is still waiting and getting more annoyed with DOI. The Senate stated the hearing will be on the revised language as it is now submitted.

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6. Director's Report (cont'd)

b. Associate Director's Report (cont'd)

II. Washington County Land Bill

Mr. Andrews stated that Washington County has looked as a model to federal legislation that was enacted a couple of years ago in Lincoln County, Nevada. It was a combination of processes that included selling some BLM lands in the county to provide economic help. Much wilderness was also designated in the county. Washington County began an effort several years ago to follow this model. Their goal was to allow for sale of BLM land in the county to promote economic development, designate wilderness, and allow the release of other lands from wilderness designation. Our agency participated in this process. They have been working with Senator Bennett's office in the last year to refine their proposal.

They have been attempting to bring the environmental community along primarily with the land-sale concept and with the designation of some BLM wilderness, but less than what the environmental community had proposed. In this attempt, they have proposed that all land sales revenue, except five percent that goes to the permanent school fund and some to the water conservancy in the county, would go to economic development in the county. As an additional incentive, the county has been persuaded to also cooperate with Envision Utah, other interests, and Nature Conservancy on a coordinated comprehensive planning effort that would look at many issues. This will not necessarily be a part of the legislation, but will be a side process. There is a public news conference on this issue in St. George today. We have agreed to commit \$50,000 to this planning process, as we think it is a very good idea.

The bill is still a month away from introduction. The big issue for the Trust will be the land sales. If BLM land is in a sales pool, it is not available as exchange base to us. We have lands in the county that should go to the BLM because they have characteristics that prohibit us from developing them. We have looked at the sales proposals and feel we could be o.k. with them. Mr. Andrews showed the Board a map of this proposal.

Mr. Morris asked if we can live with the fact that these sales might flood the market and cause our lands to have market problems. Mr. Andrews stated there is only one parcel that we think has development possibilities. Most of the large properties that will be sold are remote lands that will probably have speculative values. We don't see these properties as being competitive with our Sienna Hills, etc. They originally had no language for exchanges, but we have been successful in getting some language in the bill that will allow for exchanges. This is a very delicate political situation.

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6. Director's Report (cont'd)

b. Associate Director's Report (cont'd)

II. Washington County Land Bill (cont'd)

Ms. Bird asked if there are any policy decisions that should come to the board regarding wilderness, etc? Mr. Andrews stated that we have no lands captured in the proposed wilderness areas. The one policy the board may wish to consider is having land exchanges be on an even playing field with land sales. When this bill is filed, Staff will get the Board a copy of it and discuss any issues of concern.

c. Surface Group Report

I. Update on Little Hole Application - - Daggett County

Mr. Christy stated we have had an application for development on the Little Hole area. He introduced Bryan Torgerson, of our Moab office, who gave an overview of this application.

This application is in Daggett County. This area is about five miles down stream from the dam. This is one of the pristine areas for fishing. Mr. Torgerson showed the Board a map of the property. There are two pieces of developable property in the section. We have received a commercial application to build a fishing lodge. He showed on the map where a proposed road could be built to the property. It would cost about \$100,000 to build, and the applicant would have to build it at their expense. The lodge would not be easily seen from the river at its proposed location. We have followed the public procedure and advertising as follows:

30-Day Advertising Process:

- * Newspaper advertisements were published soliciting competing applications for SULA 1455.
- * Non-TLA-sponsored newspaper articles were published by the Salt Lake Tribune, Denver Post, and Vernal Express describing the proposal of a fishing lodge at Little Hole on trust lands.

6. Director's Report (cont'd)

c. Surface Group Report (cont'd)

I. Update on Little Hole Application - - Daggett County (cont'd)

Public Comments:

The formal public notice period and news coverage yielded the following public concerns/ comments:

- * Preserve public access through the parcel to fish along the river from the shore.
- * Sentiments against business development along the Green River corridor.
- * Compromise of wildlife habitat.
- * Fulfillment of a marketing niche and economic enhancement - - Daggett County Commission fully supportive.

Conclusion:

The TLA has determined that it is in the best interest of the beneficiary to support the original applicant for the following reasons:

- * The income potential is significant and the asset will continue to be held by Trust Lands.
- * The original applicant appears financially able to perform the proposed lodge development.
- * The lease will enhance TLA property values.
- * Daggett County supports the additional economic benefit to their county.

As information to the Board, Mr. Toergerson discussed this further. We are going to lease all 350 acres, but only about 50 acres will be for the lodge development. The Board asked about the broad terms of the lease. The lease would be for 50 years and bring to the Trust at least \$80,000 per year. Total revenue over the life of the lease would be about \$6.8 million. This would be a base rental and a percentage of royalties. We have structured the lease on a sliding scale to help them get going in the first couple of years. It will have an IRR of about 10 percent.

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6. Director's Report (cont'd)

c. Surface Group Report (cont'd)

I. Update on Little Hole Application - - Daggett County (cont'd)

Mr. Torgerson noted there were two other competing applications. The Division of Wildlife Resources (DWR) wanted to acquire it in a land exchange. The other one wanted us to put the land up for sale. DWR holds the grazing lease on this. Mr. McKeachnie stated he thinks there is a rancher in this area who never gets all his cattle off the land. There are some stray cows that cause some problems. Mr. Christy indicated he believes the area that is affected by this is further east of this property. Mr. Torgerson stated he thinks the lessee would want to fence certain parts of the property.

Mr. Morris stated he has some concern about a 50-year lease. Will the Board and Staff be happy with this deal in 50 years? He asked if there are CPI increases in the lease? It was indicated there are. Mr. Andrews stated that, with a five-year review clause, we have the option to reappraise the property. The review clause in this lease is still being negotiated.

Mr. Morris suggested that, on a single-purpose property lease, we should probably think of CPI adjustments and not reappraisal adjustments. Director Carter indicated that our contracts now allow us to use either way to do an adjustment.

Ms. Bird noted that this is her cousin that is doing this deal. She just wanted to declare this for the record.

II. Report on Land Auction of March 24, 2006

Mr. Christy reviewed the land auction with the Board.

- * Five parcels submitted for sale
- * Five parcels sold
- * Sale income - - \$6,390,000
- * \$694,000 (12 percent) above appraisal
- * Acres sold - - 952.35
- * Average \$/Acre paid - - \$6,709.71
- * High \$/Acre paid - - \$45,000.00
- * Low \$/Acre paid - - \$679.71

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6. Director's Report (cont'd)

c. Surface Group Report (cont'd)

II. Report on Land Auction of March 24, 2006 (cont'd)

Mr. Christy noted we paid \$81,000 as a finder's fee on the Mid Valley transaction.

Mr. Christy showed the Board members charts of the FY03-FY06 Sale Price/Appraisal Comparison, the Percentage of Sale Price Above Appraisal from FY 98 to FY 2006, Appraisal/Sale Price Comparison for FY98 to FY 06, and the Number of Parcels and Acres sold 1995 - 2006.

Mr. Morris stated we need to point out to the auditors the Mid Valley sale as a situation where we made a decision to sell this instead of develop it. Chairman Lee asked if the Board should rethink the \$3 million threshold they have imposed for auction sales? Director Carter stated this was set because of the concern that we might be "picking the low-hanging fruit". He stated we probably do need to consider whether this should be raised. Chairman Lee stated he felt the Board should take a look at the threshold number.

d. Development Group Report

I. Board Objective 2-I - - Implement a State-of-the-Art Real-Estate Project Accounting System

Mr. McBrier stated that last year we talked much about the Development Group. We did a Strategic Plan. This year we are doing a project accounting system. Eric Rasmussen has been a consultant helping us.

Ms. Alexa Wilson reviewed this with the Board through a power-point presentation.

Context:

- * Planning and Development Strategic Plan published in June, 2005
- * Strategic Plan recommended the development of more robust project analysis and management system
- * The development of this system was accepted as a Board-approved goal for FY 2006

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6. Director's Report (cont'd)

d. Development Group Report (cont'd)

I. Board Objective 2-I - - Implement a State-of-the-Art Real-Estate
Project Accounting System (cont'd)

Goals:

- * Build a project accounting and cost-control system, integrated with currently existing accounting and land-management systems
- * Project analysis and reconciliation with pro forma
- * Allocation of historic costs to subdivided parcels
- * Facilitate consistent project reporting to management, Board, and beneficiaries
- * Tools for day-to-day project management

Process:

- * August - October 2005: investigated commercially available project accounting software. Decided we needed to build our own system
- * November 2005 - March 2006 - - completed project charter
- * March 2006 - June 2006 - - Design and implementation phase, produce initial set of reports
- * FY 2007 - - Further system enhancements

Project Team:

- * Agency Working Group
- * P & D Group workshop participants
- * Design and Implementation Team

Mr. Rasmussen discussed the technical parts of the system with the Board.

PDWarehouse Organization:

- * Supported by SITLA accounting and IT team
- * Based upon a new P&D group data warehouse
- * Reports created by IT team
- * Creates a data resource available to entire group

Database Structure and Requirements:

- * Internal project information and forecasts
- * SITLA Business System information: revenue, contracts, land assets
- * Division of Finance: FINET Data Warehouse: vendor contracts, expenditures, payroll

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6. Director's Report (cont'd)

d. Development Group Report (cont'd)

I. Board Objective 2-I - - Implement a State-of-the-Art Real-Estate Project Accounting System (cont'd)

Major Functionalities:

- * Forecast and track individual project performance
- * Forecast and track investment budgets
- * Vendor contract management
- * Support cost allocation to parcels/lots
- * Facilitate allocation of investments to beneficiaries
- * Provide summary reports to PD Group activity and performance

Reporting Functions and Organization:

- * Board and beneficiaries
- * Senior management
- * Project management

Implementation - Next Steps:

- * Complete data collection
- * Complete system development - Phase 1
 - * Coding reports, input screens
 - * Database tables and code functions
 - * Data loading: business systems, FINET
 - * Testing
- * Initiate support system
 - * Prepare documentation
 - * Assign programming support
- * Maintenance and quality assurance protocols
 - * Initial training and orientation

Implementation Fiscal 2006-07:

- * Enhance reporting functions
- * Enhance project management tools
- * Expand staff training and access

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6. Director's Report (cont'd)

d. Development Group Report (cont'd)

I. Board Objective 2-I - - Implement a State-of-the-Art Real-Estate Project Accounting System (cont'd)

Future Enhancement Projects:

- * Standardize analysis/pro forma tools
- * Standardize Board presentations
- * Develop additional beneficiary programs

Risk Factors:

- * Personnel
- * FINET implementation
- * Supporting staff

Mr. Morris inquired as to what concerns of the auditors this would address? Director Carter stated this will address their concern of being able to allocate specific costs to projects. This will keep track of Development costs both directly and indirectly. Ms. Bird stated that Staff had talked about doing a historic allocation for former projects. Will we also do any adjustments of who paid for what costs, as well as the beneficiaries? Director Carter stated he thinks the best way to address this is to have the Board Audit Sub-committee look at whether this is an issue to audit. Mr. McBrier stated we have historic data and going-forward data. This will be collected differently. The system will change going forward as to how costs are tracked. Mr. Rasmussen stated that most of the system's design had been done before the auditors' comments.

Mr. Morris asked if this project gives our legislative analyst more tools to make a good argument and advocate for the dollars we request? Mr. McBrier stated it will be available for them to use. Director Carter noted that it probably will help. It will be even more valuable to the audience of our appropriation committee in forming our budget. If we can demonstrate to this committee that we are looking at these issues with this degree of sophistication, it will be very helpful.

Mr. McBeier stated we are working on more than 100 projects. This generates much data to put into a system. The legislature did not fund the staff person to maintain this. We will probably ask for this person in our next budget. We are focused on getting this system running.

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6. Director's Report (cont'd)

d. Development Group Report (cont'd)

I. Board Objective 2-I - - Implement a State-of-the-Art Real-Estate Project Accounting System (cont'd)

Mr. Mortensen asked if we are doing overkill on this issue? Mr. McBrier stated we are making a big robust system. This is the platform of the future. Mr. Rasmussen stated that, in his experience, this is not overkill. It is base information to manage a lot of land assets. This will give the Board a better opportunity for guiding Staff in the right direction. Mr. Morris asked if we could re-allocate our monies to get another person if needed. Director Carter explained that the legislature does keep track of FTEs, and whether we have followed their guidelines in this area. We could re-allocate money to bring someone in on a contract basis. Ms. Schneider pointed out that, until we have a finished product and it is up and operating, we wouldn't know what that position would look like.

II. Approval of Development Lease on Cross Hollow Project

Mr. Morris declared a conflict of interest on this item. He is a partner in a private transaction with some of the principals in this project. He will not vote on this issue. Mr. Lee stated that, because of Mr. Morris' expertise in this area, the Board would like Mr. Morris to answer questions if asked.

Mr. Rodger Mitchell reviewed this with the Board. The location of this property is Sections 20, 21, 28, and 29, Township 36 South, Range 22 West. The Cross Hollow parcel is situated just west of Cedar City's I-15 south interchange behind the new Wal-Mart shopping center. Encompassing approximately 1500 acres, this tract is the Trust's largest holding in Cedar City.

History: The Trust acquired a good portion of this property from the BLM in the West Desert Exchange. The property acquired from BLM was subject to an R&PP (recreational and public purpose) lease in favor of Cedar City. In October, 2001, the Trust and Cedar City entered into a planning agreement that would address the City's requirements for releasing the R&PP, jointly master plan a mixed-use project, and entitle the property on the results of the master plan. The master plan has been completed and approved by the Cedar City Council. The Trust and Cedar City have general agreement on the requirements for the R&PP release and the vesting of entitlements; however, the City is presently unable to enter into a development agreement to

6. Director's Report (cont'd)

d. Development Group Report (cont'd)

II. Approval of Development Lease on Cross Hollow Project (cont'd)

document these understandings. We anticipate an ordinance will be enacted next month to give the City legal authority to zone master-planned areas and enter into development agreements. At that time, the Trust and Cedar City will enter in a development agreement that will result in the release of the R&PP and the vesting of the master plan.

RFQ/RFP Process: Anticipating an agreement with Cedar City, the Trust undertook a six-month, four-stage qualification and proposal process. A committee was established to evaluate the proposals, and Cedar City was given a non-voting seat on that committee. After a request for qualification, the Trust pre-qualified five developers. A request for proposal was issued to those five developers, and four proposals were received back. Three of the proposers were asked to give a two-hour presentation on their proposal, as well as clarify certain aspects of their proposal. After presentations were made, a final-and-best-offer opportunity was presented to all three proposers. After the final-and-best-offer stage, the committee unanimously voted to recommend the Iron Horse Partners, L.C., proposal to the Board.

Iron Horse Partners: Iron Horse Partners, L.C., consists of three development groups that have joined forces on this project - - EsNet Ltd., NewStreet Development, and the Quantum Development Group. These entities all have experience in developing well-planned, high-quality real estate projects in Utah and other areas of the United States, as well as having a strong presence in Cedar City. The Trust has development experience with two of the three partners. NewStreet is the Trust's partner on the golf course property in Cedar City, and Quantum is the Trust's partner in the industrial property in Cedar City. EsNet is a real estate development company headquartered in Utah County that evolved out of the WordPerfect Corporation. All have deep financial strength and strong development experience.

The Proposal: The proposal is on approximately 1300 of the 1500 acres. The Trust has separated the property north of Cross Hollow Road for future development or sale. The property north of Cross Hollow Road is in the master plan and will be part of the Trust's development agreement with Cedar City, but was not part of the RFP. The Iron Horse proposal generally follows the master plan. It proposes a mixed-use development with single-family lots, some attached units, neighborhood commercial where appropriate, and required public facilities. It incorporates hiking and biking trails throughout the project, parks, and recreation centers. The proposal has a strong architectural vision and incorporates the open space required to get the R&PP released.

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6. Director's Report (cont'd)

d. Development Group Report (cont'd)

II. Approval of Development Lease on Cross Hollow Project (cont'd)

The main structural elements of the proposal are:

1. Iron Horse partners will be a master developer responsible for design, engineering, permitting, construction, and sales.
2. Iron Horse Partners will develop finished lots for sale to third-party developer/contractors and may develop finished homes or other product on selected parcels.
3. Iron Horse Partners will fund all cash needs of the project.
4. Control points in the contract will establish minimum and maximum parcel takedowns, establish profit disbursement schedules, prohibit encumbering property prior to third-party sales, lay out audit procedures, and pass on obligations in our development agreement with Cedar City.
5. The Trust will receive a cash payment of \$250,000 upon completion of the first parcel takedown.
6. The Trust will receive \$30,000 per usable acre as a base payment. The acreage will be taken down within established minimum and maximums. The Trust will receive payment on and pass title to individual parcels as the parcels become market ready for development. After five years, the base price will be indexed to the 10-year treasury and will increase annually.
7. The Trust will receive 30 percent of the profits after expenses are paid. The expenses will include a cost of capital of two percent above the 10-year treasury.
8. The project will pay 12 percent of hard costs for development and construction fees and a six percent sales commission.
9. The Trust will have the option, but not the requirement, to participate in any vertical development Iron Horse Partners participate in.

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6. Director's Report (cont'd)

d. Development Group Report (cont'd)

II. Approval of Development Lease on Cross Hollow Project (cont'd)

Along with the proposal's strong architectural vision, the committee felt this structure held the least cost and market risk, while producing the best net-present value for the Trust.

Economics: Mr. Mitchell gave the Board a cash-flow worksheet outlining a reasonable development scenario under the proposed deal structure. The worksheet does not incorporate any inflationary increase in land values, but does anticipate three percent annual inflation on construction costs. There is also no revenue anticipated from vertical construction. Those decisions will need to be made on individual phases as they come up. Under this scenario, the Trust would receive \$43,564,438 in revenue over 15 years. The net-present value of that revenue is \$21,952,006 at 9.45 percent discount rate. This represents an 18.7 percent internal rate of return on our equity.

Valuation: The value/equity we are using for this evaluation consists of three elements. First, the appraisal on the portion of the land this proposal represents (approximately 1300 acres). This appraisal was completed in January, 2006. Second, all the costs to date related to the entire Cross Hollow master-planned area. Third, a future commitment of \$250,000 toward the construction of Cross Hollow Road which will be part of the development agreement releasing the R&PP. The elements add up to the following:

January 2006 appraisal:	\$12,585,000
Costs to date	217,196
Cross Hollow Road commitment	<u>250,000</u>
Current value/equity	\$13,052,196
* Expected IRR	18.7 percent
* NPV @ 9.45 percent	\$21,952,006
* Total dollars received	\$43,564,438

All returns have been evaluated against this equity.

Request: The Staff requests a Board directive to have Staff take the necessary steps to incorporate the Iron Horse Partners proposal into a development lease.

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6. Director's Report (cont'd)

d. Development Group Report (cont'd)

II. Approval of Development Lease on Cross Hollow Project (cont'd)

Mr. Mitchell showed the Board a power-point presentation of how the development would look. He noted that there is a water fee issue that may impact our total dollars received by about \$1 million over the full length of the project.

Mr. McKeachnie noted that, if it were his property and he had the record of getting more than appraised value like we do when selling lands, he would consider selling it. It would save the personnel costs of "tending" it over the years. Mr. Mitchell stated that we actually tried to get some cash offers on it. The Board discussed the pros and cons of keeping the land or selling it. Mr. Mortensen stated that possibly we should down-size the property and take our time on it. Mr. Mitchell noted that a developer would still have to put all the infrastructure in, even on a smaller piece; and, therefore, it would not be as cost effective. Mr. McBrier stated we had cash offers, and we had competing development offers. We also had to negotiate on the R&PP issues. Staff reached the conclusion that a development of this quality was the best thing to do.

Ms. Bird asked what the exit strategy is on this property. Also, she thinks the 10-year treasury bill will underperform the Cedar City real estate market and asked why we would index to the treasury bill? Mr. Mitchell stated Staff was more focused on getting something that worked than dickering on getting one-half percent more on a review. This project makes the 300 acres we have that are not in this project very valuable.

Mr. Lee asked what would happen if the Board did not act today on this proposal? Mr. Mitchell stated he feels it would give the developer much insecurity. Mr. Lee stated he doesn't think Staff should assume that the Board will approve all recommendations because they have in the past. Mr. Mitchell stated he thinks the exit strategy is that we would not title the land to the developer until a significant amount of money has been paid to us. If they fail to perform at any stage, we could take that property back. It will be developed in phases.

6. Director's Report (cont'd)

d. Development Group Report (cont'd)

II. Approval of Development Lease on Cross Hollow Project (cont'd)

Mr. Morris was asked about his views. Mr. Morris noted that, if we were to sell this property today as is, it would sell approximately for \$12.5 million, more or less. Because there is a precedence for getting higher than appraised value, could this bring \$21 or \$22 million if it were auctioned? Staff felt this would sell at only appraised value if sold now because it has some infrastructure issues. Mr. Morris noted that, if we sold it at appraised value and invested the money, you would have the same amount in 15 years as this pro forma shows. Mr. Mitchell noted we would not have the benefit of the vertical improvements that we can participate in and also not market growth.

Mr. McKeachnie stated he wants to do the right things, but doesn't know what the right thing is. He asked Staff to justify the best reasons why we should sell. Mr. Mitchell stated we don't have any basis in the costs of this land. If we could get the R&PP issue taken care of, would it be better to hold the land for another 10 years? We don't know. Director Carter stated that our alternative is to break this piece down into smaller pieces and sell them. We might see value over the appraised price for some of the pieces. The reality of that is that there would be some delays in doing this. We are already facing a water situation here. Cedar City is trying to tap into Lake Powell to get water. Whoever owns this property then would have to pay for water, and that would be very expensive. There are some serious risks to breaking it up ourselves and selling it.

Director Carter noted that he has concerns with the process. If we can't do an RFP process and not support it, we may need to address that issue. Mr. Morris was asked about his opinion of the principals. Mr. Morris thinks the principals of Iron Horse are great and have the ability to develop it. Staff has put protection in our profit sharing before we take a percentage of the gross revenue. Here we are taking a percentage of the net revenue. Costs could go up and values can slide. He thinks we need to be concerned about the profit-sharing formula in lieu of the concept. Mr. Mitchell noted we have built in a \$30,000 per acre floor. We could get less than the 18 percent IRR by profits not meeting their expectations. We are in the marketplace no matter what we do. The best thing we can do is create a structure that will protect us, and he thinks we have done that. He stated he doesn't think it is the end of the process if the Board doesn't approve this today. He doesn't want the Board to do something it is uncomfortable with.

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6. Director's Report (cont'd)

d. Development Group Report (cont'd)

II. Approval of Development Lease on Cross Hollow Project (cont'd)

Mr. Lee stated he has some concerns with some of the structure. After more discussion, Mr. Morris stated he feels the fees, etc., being considered are reasonable. Mr. Mitchell stated that, overall, this structure created the best offer on this proposal. Mr. Lee stated his experience with the language that stated we receive profits after expenses is that there will be problems. Mr. Mitchell stated the committee did discuss this. NewStreet Development is in the same boat we will be as far as sharing profits. Staff felt good that they are getting what is fair. Mr. Ferry stated he is comfortable with this proposal. He is concerned about problems if we would try to break it up into smaller pieces.

Mr. McKeachnie asked why we should just not sell it for \$12.5 million? Director Carter stated he doesn't think we could sell it for that right now. Mr. Mitchell stated we would lose our opportunity to participate in the value-added of the development. We would also lose the opportunity to participate if the market went up and also the opportunity to participate in the vertical improvement that will create much income. Mr. Morris stated we might be getting 9.7 percent on the investments today, but in the last 15 years we have only received about six percent. Mr. Mortensen asked if Staff feels comfortable enough that this is the right thing to do with what has been discussed here or do we need to wait 30 days? Mr. McBrier stated we would not bring this to the Board if we didn't think it is the right thing.

Director Carter stated we need to look at this process of doing a competitive offering and then having the Board want to do something else. We don't want to lead these people on. He wants to make sure everyone is comfortable with the process. Mr. McBrier stated in the private sector they had board members sit with the staff and look at how the deals were developed. This Board does not do this, but maybe it should because things are only getting more complicated.

McKeachnie / Mortensen. Motion approved.

"I move we postpone this for 30 days."

Roll Call:

Mr. Morris - - abstained	Mr. Ferry - - no
Mr. Mortensen - - yes	Mr. McKeachnie - - yes
Mr. Lee - - yes	

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6. Director's Report (cont'd)

d. Development Group Report (cont'd)

III. Purchase of Additional 25 Percent Interest in Coral Canyon Building One

Mr. McBrier discussed this with the Board. It is recommended that the Trust acquire an additional 25 percent interest in Office Building One at Coral Canyon for a capital cost of \$314,474. This investment, combined with the initial investment of \$199,825, will leave the Trust with a 50 percent ownership position at a total capital cost of \$514,299. SunCor owns the other 50 percent and manages the property. Based on the analysis, we believe that the internal rate of return (analyzed at a 20-year hold with a sale at an eight percent cap rate) on our initial investment, the proposed investment, and the blended investment will be as follows:

Initial Investment	13.8 percent IRR
New Investment	11.7 percent IRR
Blended Investment	12.7 percent IRR

Building One is currently being financed with a 25-year, fixed-rate, non-recourse loan at 7.25 percent on a 60 percent leverage basis. This loan will close before we acquire the additional interest. The building currently is achieving full occupancy, which is projected to continue in the future. Office rents in St. George have not risen at the rate of overall property values, and we believe that the projections which set forth an average of two percent rent increases into the future will prove to be low, thereby understating overall returns.

We continue to work with SunCor to develop an ongoing relationship as vertical investment partners. For this to work, SunCor has made it clear that we need to take at least 50 percent positions in projects. We took a 25 percent interest in this first project as we were "testing the water" and developing the relationship. Over the last few years, it has been our goal to increase this position to at least 50 percent. The beneficiary, Miners Hospital, is supportive of building a larger investment position at Coral Canyon and has adequate capital to support the same.

Background: In 2002, the Trust decided to make the first 25 percent investment. Our initial investment (land and cash) was made at the beginning of FY 2003, and the building opened in late FY 2003. Lease-up was slower than anticipated; and SunCor, who provided the construction financing, was unable to arrange long-term financing until just recently when the discussed 25-year fixed loan was arranged. As of this date, no distributions have been made from the

6. Director's Report (cont'd)

d. Development Group Report (cont'd)

III. Purchase of Additional 25 Percent Interest in Coral Canyon Building One (cont'd)

investment. However, with the new financing and the final lease-up of the building, we believe it is the appropriate time to consider increasing our ownership position in Building One. We also expect to present a proposed second building project with SunCor to the Board for consideration at the May meeting.

Financial Discussion: The proposed 25 percent investment is based on a negotiated valuation of the project at \$3,257,895. This represents approximately an eight percent capitalization of going forward net operating income. The project is just now achieving 95 percent occupancy with new tenants preparing to occupy the last space in the next few months. This value represents a compromise between the goals of SunCor and the Trust. SunCor originally sought a 7.5 percent cap rate, and we were seeking a cap rate in the 8.5 percent range. We settled at the eight percent rate.

Our view is that the pricing is acceptable in that it reflects a mature project that has had the risk eliminated through successful lease-up. The projected internal rate of return of the new investment is 11.7 percent. While this is not high, it is reasonable in light of the mature character of the project and today's investment climate. The blended return of 12.7 percent meets the threshold to justify this low-risk investment. This rate of return generates positive leverage when measured against the 7.25 percent long-term loan on the project.

Project cash flow will be positive going forward. Based on current occupancy and operating costs, the Trust will receive cash flow of approximately \$47,000 in FY 2007 with further growth in the future. This represents a cash-on-cash return of approximately seven percent.

Capital/Beneficiary Discussion: The Trust has met with the Miners Hospital beneficiary representatives on a number of occasions to discuss their needs and their perspective toward the Coral Canyon Project. We understand that the Trust currently is generating cash flows beyond the beneficiary's immediate needs, and we have been encouraged to push forward with investment of Miners Hospital funds into long-term investments at Coral Canyon. The capital required for this investment is available within the capital budget and the beneficiary's project cash flows.

6. Director's Report (cont'd)

d. Development Group Report (cont'd)

III. Purchase of Additional 25 Percent Interest in Coral Canyon Building One (cont'd)

Conclusion: This investment will be positive for Miners Hospital and will further the development of our investment program with SunCor. Capital is available for the investment. Board approval to proceed is requested.

The Board discussed this issue. Mr. Morris asked if we received any control rights with this purchase? Mr. McBrier stated we have an operating agreement already established that has management decisions already set forth. They have day-to-day management. The agreement sets forth how to handle disagreements in management.

Ms. Bird stated that, in the November meeting of the Investment Advisory Committee, the Development Group made a presentation on the Miner's Hospital Fund. Someone asked if it is legal for Trust Lands to be investing in buildings, etc., and diverting the funds before they get to the beneficiary? Mr. Andrews stated he is writing a legal opinion on this issue.

Morris / McKeachnie. Unanimously approved.

"I move we approve this transaction subject to an affirmative opinion on the above legal question."

Roll Call:

Mr. Morris - - yes

Mr. Ferry - - yes

Mr. Mortensen - - yes

Mr. McKeachnie - - yes

Mr. Lee - - yes

7. Consent Calendar

The Board had no concern over the following notification.

Board Notifications:

a. Amendment to SULA's 105, 128, 439, 1093, and 1121

Mr. Christy submitted this notification. Pursuant to Rule R850-30-1000(2), this is notice that we intend to amend the following Special Use Lease Agreements: Nos. 105, 128, 439, 1093, and 1121. The purpose of the amendments is to adjust boundary descriptions based on a recent survey. The following Special Use Leases are all located in the Montezuma Creek area of San Juan County. The general areas for all the properties are as follows:

Township 40 South, Range 24 East, SLM.
Section 32:

Background: The aforementioned leases are located in a remote area of San Juan County, Utah, named Montezuma Creek. Three of the SULAs (Nos. 105, 128, and 439) were issued in the 1960's and 1970's, while the other two were issued within the last decade. All of the leases described herein are located along the main commercial frontage road on Highway 262, and all of them are located very close together. It is believed that no formal survey was performed prior to the issuance of these leases. The close proximity of the leases to one another, lack of formal surveys, and lack of modern GPS and legal description software when at least three of these were issued caused the legal descriptions to be stated incorrectly. These errors with the legal descriptions caused many lease boundaries to overlap one another and not match up with the intended land plan and land uses.

The agency Staff has recently had Huddleston Land Surveying Co., from Cortez, Colorado, complete a land survey for the area in question. The land survey confirmed the agency Staff's belief that the legal descriptions were problematic and needed to be amended. To avoid any confusion among the lessees, it is recommended that the new legal descriptions be matched up with the lessees' fenced property boundaries.

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7. Consent Calendar (cont'd)

Board Notifications: (cont'd)

a. Amendment to SULA's 105, 128, 439, 1093, and 1121 (cont'd)

Terms of Amended Leases: the terms and lease rates of all the leases will remain the same - - only the legal descriptions will be amended. The amended legal descriptions of SULAs 105, 1121, 1093, and 439 will all result in a decrease of lease acreage; and, therefore, no additional rent will be charged and advertising is not required. No additional rent will be charged for SULA 128 either, since the amended legal description of SULA 128 is roughly the same as the original legal description (the new description results in an increase in lease acreage of only a few feet). The increase in acreage for SULA 128 is de minimum and does not trigger the requirement to advertise pursuant to R850-30-500(2).

The benefits of amending these leases are as follows: (1) the amended leases will no longer overlap, thereby resulting in cleaner and less-confusing agency records; (2) by correcting the erroneous legal descriptions, the agency will minimize any liability it may have to these lessees due to the errors described above; and (3) the lessees' property boundaries will better match what is on the ground.

The Agency believes that this action is in the best interest of the trust beneficiary.

The Board had no comments on these amendments.

Meeting adjourned at 2:30 p.m.